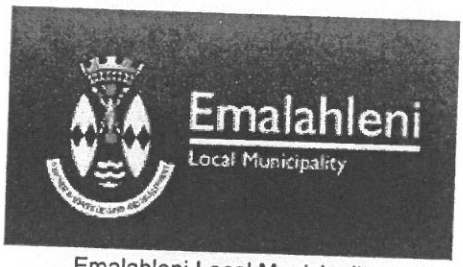

Emalahleni Local Municipality
Financial statements
for the year ended 30 June 2016

Emalahleni Local Municipality
Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	Local Municipality
Mayoral committee	
Executive Mayor	L. Ntshalintshali
Speaker	A.D. Mkhwanazi
Chief Whip	S. Matshipa
Members of Mayoral Commitee	M.B. Hlumbane
	L.M. Nhlapo
	B.D. Nkosi
	B.H. Maseko
	P.L. Mokwena
	D.M. Skhosana
MPAC Chairperson	C.P. Maseko

General Information

Other Councillors

S.E. Bembe
M. Bhamjee
I. Cassim
R.E. Cronje
P.J. Djiana
D.C. Dladla
H. Griffiths
D.H. Grobler
T.V. Gwambe
V.L. Hills
M.C. Hilton
M.S. Jallal
R.W. Kgomo
A.B. Khumalo
J.T. Khumalo
B.T. Lukhele
P.M. Maabane
T.S. Mabena
T.G. Mabula
N.L. Magabotse
M.S. Magagula
M.M. Mahlangu
P.J. Mahlangu
C.N. Makofane
D. Maloma
X.M. Mandi
C.L. Maraba
C.P. Maseko
P.E. Mashiane
T.O. Mashigo
H. Mashiyane
S. Mathebula
J.M. Mawela
Z.C. Mbuku
J.M. Mdluli
F. Mkhabela
D.E. Mlaba
N.T. Mnisi
S.L. Mokoena
D.C. Mphoreng
J. J. Msibi
N. Naidu
A.M. Ndlovu
M.B. Phahlane
A.V. Phakane
K.T. Pookgoadi
Schneider-breetzke
B.S. Shabangu
M.J. Shiba
S.E. Shongwe

General Information

	K. Silaule C.N. Simelane L. Steyn M.B. Tebane M. Thulari G. Ubisi W.A. Van dyk H.J. Venter M. Venter
Municipal Manager	Mr T. Jansen van Vuuren
Acting Chief Financial Officer (ACFO)	Mr L.A. Makgale
Audit committee members	Mr B. Ngobeni (Chairperson) Mr H. Hlomane Ms K. Smith (resigned) Mr W. Huma - resigned
Grading of local authority	4
Registered office	Civic Centre Mandela Street Emalahleni 1035
Central email contact details	admin@emalahleni.gov.za
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the annual financial statements presented to the Provincial legislature:

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Abbreviations

GRAP	Generally Recognised Accounting Practice
EPWP	Expanded Public Works Programme
DOE	Department of Energy
MSIG	Municipal Systems Improvement Grant
APC	Accounting Practice Committee
SAICA	South African Institute of Chartered Accountants
MEC	Member of Executive Council
IAS	International Accounting Standards
PPE	Property, plant and equipment
INCA	Infrastructure Finance Corporation Limited
UIF	Unemployment Insurance Fund
PAYE	Pay as you earn
COGTA	Co-operative Governance and Traditional Affairs
VAT	Value Added Tax
ACFO	Acting Chief Financial Officer
MPAC	Municipal Public Accounts Committee
HDF	Housing Development Fund
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CFO	Chief Financial Officer

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistent with the requirements of GRAP 3 and supported by reasonable and prudent judgements and estimates by management.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

The annual financial statements set out on pages 8 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on the 31 August 2016 and were signed on its behalf by:

Mr T. Jansen van Vuuren
Municipal Manager

Emalahleni

Audit Committee Report

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

Net deficit of the municipality was R 392 759 201 (2015: deficit R 226 750 699).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

Subsequent to the 30 June 2016, Ms P.J. Hlatshwayo has been appointed as the CFO with effect 4 July 2016. This change did not have any impact on the financial position of the Municipality at 30 June 2016. The local government elections were held on the 3 August 2016. The outcome of these elections resulted in an additional political parties forming part of the Council. The executive Mayor was inaugurated on the 18 August 2016.

4. Accounting policies

The annual financial statements prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury, including any interpretations of such Statements issued.

5. Prior period errors

During the year under review the Municipality identified material errors in the 2015 annual financial statements. This financial impact on the 2015 financial statements were identified, adjusted and disclosed as a prior period error note in the 2016 annual financial statements.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Mr T. Jansen van Vuuren

7. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	restated 2015
Assets			
Current Assets			
Inventories	9	35 988 162	34 205 011
Other financial assets	8	188 121	480 003
Receivables from exchange transactions	10	22 109 228	22 209 498
Receivables from non-exchange transactions	11	11 231 521	14 305 423
Consumer receivables	12	617 651 211	613 135 074
Cash and cash equivalents	13	27 381	14 756 500
		687 195 624	**699 091 509**
Non-Current Assets			
Other property, plant and equipment - Game	3	1 963 395	2 221 559
Investment property	4	754 739 788	-
Property, plant and equipment	5	7 371 487 383	7 454 371 507
Intangible assets	6	2 076 941	2 065 907
Heritage assets	7	400 000	400 000
Other financial assets	8	8 145 342	8 415 801
		8 138 812 849	**7 467 474 774**
Total Assets		**8 826 008 473**	**8 166 566 283**
Liabilities			
Current Liabilities			
Loans and receivables	16	29 093 284	17 127 952
Finance lease obligation	14	3 081 592	3 992 972
Payables from exchange transactions	18	1 965 506 019	1 645 038 356
Consumer deposits	19	116 492 112	113 903 546
Unspent conditional grants and receipts	15	21 416 916	53 639 916
Provisions	17	46 810 343	33 341 813
VAT payable	52	28 818 697	103 225 139
Cash and cash equivalents	13	1 139 261	-
		2 212 358 224	**1 970 269 694**
Non-Current Liabilities			
Loans and receivables	16	108 925 906	124 108 839
Finance lease obligation	14	1 885 899	2 191 840
Provisions	17	231 941 755	205 022 781
		342 753 560	**331 323 460**
Total Liabilities		**2 555 111 784**	**2 301 593 154**
Net Assets		**6 270 896 689**	**5 864 973 129**
Accumulated surplus		6 270 896 689	5 864 973 129

Audited
By
2016 -11- 30
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Mpumalanga Business U

Statement of Financial Performance

Figures in Rand	Note(s)	2016	restated 2015
Revenue			
Revenue from exchange transactions			
Service charges	22	1 281 025 711	1 175 493 936
Rental of facilities and equipment	37	12 794 154	11 078 942
Licences and permits		2 536 819	2 504 424
Fees earned	25	31 847 071	24 664 350
Commissions received	25	3 236 457	2 650 272
Revaluations	25	-	1 779 575
Other income	25	76 132 827	4 914 164
Interest revenue	31	95 959 725	80 638 601
Dividends received	31	119 088	-
Total revenue from exchange transactions		**1 503 651 852**	**1 303 724 264**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	371 266 005	335 273 598
Transfer revenue			
Government grants & subsidies	23	402 308 755	340 487 512
Public contributions and donations	24	31 394 817	48 399 334
Fines		20 336 889	14 327 007
Total revenue from non-exchange transactions		**825 306 466**	**738 487 451**
Total revenue	20	**2 328 958 318**	**2 042 211 715**
Expenditure			
Employee related costs	28	(632 607 447)	(496 370 891)
Remuneration of councillors	29	(19 789 643)	(20 086 033)
Depreciation and amortisation	32	(285 396 862)	(219 093 014)
Impairment loss	33	(6 943 288)	(26 722 275)
Finance costs	35	(81 293 700)	(108 623 463)
Debt impairment	30	(463 569 919)	(200 959 188)
Repairs and maintenance		(86 930 131)	(100 214 213)
Bulk purchases	40	(875 772 939)	(789 645 332)
Contracted services	38	(76 943 876)	(103 382 265)
Grants and subsidies paid	39	(15 438 121)	(22 582 944)
General Expenses	26	(177 032 054)	(183 849 496)
Total expenditure		**(2 721 717 980)**	**(2 271 529 114)**
Operating deficit	27	**(392 759 662)**	**(229 317 399)**
Proceeds on sale of assets	34	461	2 566 700
Deficit for the year		**(392 759 201)**	**(226 750 699)**

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported - 1 July 2014	821 915 384	821 915 384
Adjustments		
Prior year adjustments as previously reported	4 490 824 941	4 490 824 941
Opening balance as previously reported - 1 July 2014	**6 091 723 825**	**6 091 723 825**
Loss as previously reported - 2015	(178 366 524)	(178 366 524)
Adjustments passed in 2015 year	(48 384 172)	(48 384 172)
Restated net loss for the year - 2015	(226 750 696)	(226 750 696)
Restated opening balance at 1 July 2015	**5 864 973 129**	**5 864 973 129**
Changes in net assets		
Appropriation	798 682 761	798 682 761
Total adjustments passed in 2016	798 682 761	798 682 761
Deficit for the year	(392 759 201)	(392 759 201)
Total recognised income and expenses for the year	405 923 560	405 923 560
Total changes	405 923 560	405 923 560
Balance at 30 June 2016	**6 270 896 689**	**6 270 896 689**

Note(s)- refer to note 45

Cash Flow Statement

Figures in Rand	Note(s)	2016	restated 2015
Cash flows from operating activities			
Receipts			
Taxation		268 821 911	335 273 598
Sale of goods and services		1 174 061 910	992 584 790
Grants		370 086 065	338 997 296
Interest revenue		(4 924 790)	80 638 601
Dividends received		119 088	-
		1 808 164 184	1 747 494 285
Payments			
Employee costs		(652 397 090)	(513 960 310)
Suppliers		(898 986 344)	(929 323 833)
Finance costs		(81 293 700)	(135 694 041)
		(1 632 677 134)	(1 578 978 184)
Net cash flows from operating activities	41	**175 487 050**	**168 516 101**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(112 839 302)	(201 086 891)
Proceeds from sale of property, plant and equipment	5	-	2 793 999
Purchase of other intangible assets	6	(237 568)	-
Proceeds from sale of financial assets		562 345	42 693 566
Proceeds from sale of other property, plant and equipment - game	3	461	-
Net cash flows from investing activities		**(112 514 066)**	**(155 599 326)**
Cash flows from financing activities			
Repayment of loans and receivables		(3 217 601)	(21 697 982)
Movement in VAT Liability		(74 406 442)	60 990 722
Finance lease payments		(1 217 321)	(3 058 643)
Net cash flows from financing activities		**(78 841 364)**	**36 234 097**
Net increase/(decrease) in cash and cash equivalents		**(15 868 380)**	**49 150 872**
Cash and cash equivalents at the beginning of the year		14 756 500	(34 394 373)
Cash and cash equivalents at the end of the year	13	**(1 111 880)**	**14 756 499**

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Mpumalanga Business Unit

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 871 317 513	(423 078 203)	**1 448 239 310**	1 281 025 711	**(167 213 599)**	Decline in payment rate. Collection and payment rate by consumers was slower
Rental of facilities and equipment	11 734 678	3 755 453	**15 490 131**	12 794 154	**(2 695 977)**	Immaterial less than 10%
Licences and permits	26 890 345	(7 490 028)	**19 400 317**	2 536 819	**(16 863 498)**	The budgeted amount included the agency fees
Other income revenue	40 897 797	118 839 548	**159 737 345**	111 214 167	**(48 523 178)**	This was under budgeted. Received monies from the Dept of Health that was not budgeted for.
Interest received - trading and investment	70 463 821	3 351 490	**73 815 311**	95 959 725	**22 144 414**	Underbudgeted The number of debtors have increased resulting in the interest accrued exceeding the amount budgeted
Dividends received	-	-	-	119 088	**119 088**	Management didnot budget for this form of income
Total revenue from exchange transactions	**2 021 304 154**	**(304 621 740)**	**1 716 682 414**	**1 503 649 664**	**(213 032 750)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	363 169 576	(15 263 036)	**347 906 540**	371 266 005	**23 359 465**	Immaterial
Government grants & subsidies			-	402 308 755	**402 308 755**	Grants are received in 3 tranches. Not all the grants have been received as at June 2016

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Mpumalanga Business Unit

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Transfer revenue						
Public contributions and donations	-	-	-	31 394 817	**31 394 817**	
Fines	2 688 576	2 313 595	**5 002 171**	20 336 889	**15 334 718**	A journal was passed to bring in traffic fines recognised under IGRAP 1.
Other transfer revenue	239 447 800	6 332 066	**245 779 866**	-	**(245 779 866)**	
Total revenue from non-exchange transactions	**605 305 952**	**(6 617 375)**	**598 688 577**	**825 306 466**	**226 617 889**	
Total revenue	**2 626 610 106**	**(311 239 115)**	**2 315 370 991**	**2 328 956 130**	**13 585 139**	
Expenditure						
Personnel	(571 167 409)	(18 253 758)	**(589 421 167)**	(628 540 048)	**(39 118 881)**	immaterial
Remuneration of councillors	(20 939 900)	784 694	**(20 155 206)**	(23 857 042)	**(3 701 836)**	immaterial
Depreciation and amortisation	(165 000 000)	1 848	**(164 998 152)**	(285 396 862)	**(120 398 710)**	ELM didnot pass all depreciation journals for the immovable assets
Impairment loss/ Reversal of impairments	-	-	-	(6 943 288)	**(6 943 288)**	
Finance costs	(81 496 633)	10 746 151	**(70 750 482)**	(81 293 700)	**(10 543 218)**	immaterial
Debt impairment	(267 630 980)	101 203 999	**(166 426 981)**	(463 569 919)	**(297 142 938)**	No impairment was calculated and accounted for as at December 2015
Repairs and maintenance	(131 869 421)	1 180 312	**(130 689 109)**	(86 930 131)	**43 758 978**	
Bulk purchases	(894 097 075)	22 500 008	**(871 597 067)**	(875 772 939)	**(4 175 872)**	Immaterial
Contracted Services	(32 254 020)	(17 573 228)	**(49 827 248)**	(76 943 876)	**(27 116 628)**	Immaterial
Grants and subsidies paid	(35 929 454)	11 850 428	**(24 079 026)**	(15 438 121)	**8 640 905**	
General Expenses	(181 404 509)	4 400 861	**(177 003 648)**	(177 032 054)	**(28 406)**	
Total expenditure	**(2 381 789 401)**	**116 841 315**	**(2 264 948 086)**	**(2 721 717 980)**	**(456 769 894)**	
Operating deficit	**(2 381 789 401)**	**116 841 315**	**(2 264 948 086)**	**(392 759 662)**	**1 872 188 424**	
Gain on foreign exchange	198 842 372	5 986 253	**204 828 625**	-	**(204 828 625)**	
Gain on biological assets and agricultural produce	-	-	-	461	**461**	
	198 842 372	**5 986 253**	**204 828 625**	**461**	**(204 828 164)**	
Surplus/(deficit) for the period	**443 663 077**	-	-	**(392 759 201)**	**1 667 360 260**	

Audited by
2016 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	17 500 000	-	**17 500 000**	35 988 162	**18 488 162**	Increase in stock at the stores not budgeted for
Other financial assets	-	-	**-**	188 121	**188 121**	
Receivables from exchange transactions	94 696 292	-	**94 696 292**	22 109 228	**(72 587 064)**	
Receivables from non-exchange transactions	-	-	**-**	11 231 521	**11 231 521**	
Consumer debtors	881 218 000	-	**881 218 000**	617 651 211	**(263 566 789)**	
Cash and cash equivalents	20 305	-	**20 305**	27 381	**7 076**	
	993 434 597	**-**	**993 434 597**	**687 195 624**	**(306 238 973)**	
Non-Current Assets						
Other property, plant and equipment - Game	-	-	**-**	1 963 395	**1 963 395**	Game not budgeted for
Investment property	3 022 220	-	**3 022 220**	754 739 788	**751 717 568**	Depreciation not budgeted
Property, plant and equipment	2 151 357 000	-	**2 151 357 000**	7 371 487 383	**5 220 130 383**	Movement in PPE not budgeted for
Intangible assets	-	-	**-**	2 076 941	**2 076 941**	Not budgeted for
Heritage assets	-	-	**-**	400 000	**400 000**	Heritage assets not buedgeted for
Other financial assets	15 000 000	-	**15 000 000**	8 145 342	**(6 854 658)**	overbudgeted. Withdrawel of ABSA investments
	2 169 379 220	**-**	**2 169 379 220**	**8 138 812 849**	**5 969 433 629**	
Total Assets	**3 162 813 817**	**-**	**3 162 813 817**	**8 826 008 473**	**5 663 194 656**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	3 081 592	**3 081 592**	Not budgeted for
Payables from exchange transactions	830 000 000	-	**830 000 000**	1 965 506 018	**1 135 506 018**	Not all assets were budgeted for
Consumer deposits	-	-	**-**	116 492 112	**116 492 112**	Not budgeted for
Unspent conditional grants and receipts	-	-	**-**	21 416 916	**21 416 916**	Not budgeted for
Provisions	-	-	**-**	46 810 343	**46 810 343**	Not budgeted for
VAT payable	-	-	**-**	28 818 697	**28 818 697**	Not budgeted for

Audited By
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Mpumalanga Business Unit

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash and cash equivalents	-	-	-	1 139 261	**1 139 261**	
	830 000 000	-	**830 000 000**	**2 183 264 939**	**1 353 264 939**	
Non-Current Liabilities						
Loans and receivables	153 604 000	-	**153 604 000**	138 019 190	**(15 584 810)**	Immaterial
Finance lease obligation	-	-	-	1 885 899	**1 885 899**	finance leases were not budgeted for
Provisions	250 000 000	-	**250 000 000**	231 941 755	**(18 058 245)**	Immaterial less than 10%
	403 604 000	-	**403 604 000**	**371 846 844**	**(31 757 156)**	
Total Liabilities	**1 233 604 000**	-	**1 233 604 000**	**2 555 111 783**	**1 321 507 783**	
Net Assets	**1 929 209 817**	-	**1 929 209 817**	**6 270 896 690**	**4 341 686 873**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 929 209 817	-	**1 929 209 817**	6 270 896 690	**4 341 686 873**	

Audited
By
2016 -11- 30
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Mpumalanga Business Unit

Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in the South African Rand, which is the functional currency of the Municipality.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. All amounts have been rounded off to the nearest rand.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows or service potential used to determine the value-in-use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates and service potential, together with economic factors such as exchange rates, inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Audited
By
Date - 11- 10
Auditor General South Africa
Mpumalanga Business Unit

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 14.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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Subsequent measurement

Subsequent to initial measurement investment property is measured using the cost model. The investment property is measured at cost less accumulated depreciation and accumulated impairment losses. The investment property is depreciated over a period of 30 years.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Accounting Policies

1.2 Investment property (continued)

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life

Accounting Policies

1.3 Property, plant and equipment (continued)

Infrastructure	
• Roads and Paving	20 years
• Pedestrian Malls	20 years
• Electricity	30 years
• Water	20 years
• Sewerage	20 years
Community assets	
• Buildings	30 years
• Recreational Facilities	20 years
• Security	30 years
• Halls	30 years
• Libraries	30 years
• Parks and gardens	30 years
• Other assets	30 years
Finance lease Assets	
• Office equipment	3 years
Heritage	
• Buildings	
• Paintings and artifacts	
Other	
• Buildings	30 years
• Specialist vehicles	5 years
• Other vehicles	5 - 7 years
• Office equipment	3 - 5 years
• Furniture and fittings	7 - 10 years
• Watercraft	15 years
• Bins and containers	5 - 10 years
• Specialised plant and equipment	10 - 15 years
• Other items of plant and equipment	5 years
• Landfill sites	15 years
• Quarries	30 years
• Emergency equipment	5 - 15 years
• Computer equipment	3 - 8 years
• Computer software	3 - 5 years
• Graders	10 - 15 year
• Airports / Radio Beacons	20 years
• Security Measures	3 - 5 years

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

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Accounting Policies

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	3 years
Computer software, other	3 years

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The Municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

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1.6 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The Municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the Municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The Municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one Municipality and a financial liability or a residual interest of another Municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from a Municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A financial asset is:

- cash;
- a residual interest of another Municipality; or
- a contractual right to:
  - receive cash or another financial asset from another Municipality; or
  - exchange financial assets or financial liabilities with another Municipality under conditions that are potentially favourable to the Municipality.

Accounting Policies

1.7 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another Municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by a Municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Classification

The Municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Investments	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

The Municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

Initial recognition

The Municipality recognises a financial asset or a financial liability in its statement of financial position when the Municipality becomes a party to the contractual provisions of the instrument.

The Municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The Municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The Municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a Municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through the establishment of practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The Municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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1.7 Financial instruments (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

The Municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another Municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Municipality does not offset the transferred asset and the associated liability.

Accounting Policies

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.q

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

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Accounting Policies

1.10 Construction contracts and receivables (continued)

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.11 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Employee benefits

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Accounting Policies

1.13 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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Accounting Policies

1.13 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and .
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an , which represents an increase in net assets, other than increases relating to contributions from owners.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

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Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Comparative figures

Where necessary, the 2015 financial figures have been reclassified to conform to changes in presentation in the 30 June 2016 financial year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Accounting Policies

1.18 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2015 to 30/06/2016.

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Accounting Policies

1.24 Budget information (continued)

The budget for the municipality includes all the municipality's approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.26 Value-added tax

The Municipality accounts for value-added tax on an accrual basis. However the VAT paid / due to/by SARS is accounted for on a cash basis.

1.27 Biological assets

A biological asset is a living animal or plant. The key feature that differentiates agricultural activities from other related activities is the intended use of the assets. As the Municipality does not actively manage the activity nor do the assets undergo a biological transformation, it is not an agricultural activity and therefore the assets are treated under the standards other than that of GRAP 27. The auction price is used to determine the fair market value of the biological assets.

2. New standards and interpretations

2.1 Standards, amendments to standards and interpretations

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board. The municipality has adopted some of these new Standards or amendments thereto, or has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5.

GRAP 1 (as revised 2012): Presentation of Financial Statements

The revision resulted in various terminology and definition changes. Additional commentary has been added, describing the purpose of financial statements in the public sector.

Commentary has been added to explain that where legislation requires a departure from a particular Standard of GRAP and that departure is material, entities cannot claim compliance with the Standards of GRAP. The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes.

Paragraphs added to Changes in accounting policies

- A change from one basis of accounting to another basis of accounting is a change in accounting policy.
- A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies

- The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC.
- Commentary on the selection of benchmark and alternative accounting policies has been deleted.

The effective date of the amendment is for years beginning on or after 1 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

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Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions. All amendments to be applied retrospectively.
The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

The revision resulted in various terminology and definition changes.

Cost formulas:

Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.

Recognition as an expense:
Where reference has been made to 'net realisable value', 'current replacement cost' has been added.

All amendments to be applied retrospectively

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

The revision resulted in various terminology and definition changes.

Scope:
Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Non-current Assets Held for Sale and Discontinued Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard.

Guidance on accounting for finance leases by lessors:
The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance.

Guidance on operating lease incentives and substance over legal form:
The guidance included in the original text on substance over legal form has been deleted.

Classification of leases on land and buildings elements:
The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance.

All amendments to be applied retrospectively.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

GRAP 16 (as revised 2012): Investment Property

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Notes to the Financial Statements

2. New standards and interpretations (continued)

The revision resulted in various terminology and definition changes.

Recognition of investment property:

- Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property.
- This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.
- The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably.
- Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013. The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

The revision resulted in various terminology and definition changes. Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments to be applied prospectively. The effective date of the amendment is for years beginning on or after 01 April 2013. The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

Scope:

- The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions.
- Investment properties under construction have been removed from the scope.

Measurement at initial recognition:
Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value.

Depreciable amount and depreciation period:
An additional paragraph has been added to clarify that reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Derecognition:

- The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed.
- Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories.

Disclosures:

- The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used.
- The requirement to disclose the cost basis for revaluated assets was removed.

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Notes to the Financial Statements

2. New standards and interpretations (continued)

Amendments to be applied as follow:

- Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 1 April 2011.

The revision resulted in certain terminology changes.

Social benefits:
Paragraphs .08 and .16(a) clarify that social benefits due at year end are 'payables', as the amounts due are certain in terms of legislation.

Binding agreements for restructurings:
Paragraph .87 has been amended to clarify that restructurings may take place in the public sector in terms of directives, legislation or other means. These alternative means are enforceable and may give rise to an obligation.

Interpretations:
In developing the Standard initially, the Board included relevant text from any Interpretation that had been issued by the International Financial Reporting Interpretations Committee (IFRIC) relating to provisions, contingent liabilities and contingent assets. The Board included selected text from IFRIC 1 on Changes in Decommissioning, Restoration and Similar Liabilities and IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds in line with the Board's decisions. The Board concluded at its May 2008 meeting that it would issue any Interpretations as separate documents rather than dispersing the text of the Interpretations across various Standards. As a result, paragraphs .37 to .43, .74 to .80, and Appendix F of the previous version of GRAP 19, have been deleted.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 1 April 2011.

The municipality expects to adopt the amendment for the first time in the 2012 financial statements.

2.2 Standards and interpretations issued, but not yet effective

The following standards of GRAP and Interpretations of standards of GRAP approved, but for which the Minister of Finance has not yet determined an effective date.

Standard / Interpretation:	Effective date: Years beginning on or after	Expected impact
GRAP 20 - Related Party Disclosures	No effective date determined by the Minister of Finance	No significant impact
GRAP 32 -Service Concession Arrangements: Grantor	No effective date determined by the Minister of Finance	No significant impact
GRAP 108 - Statutory Receivables	No effective date determined by the Minister of Finance	No significant impact
GRAP 109 - Accounting by Principals and Agents	No effective date determined by the Minister of Finance	No significant impact

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by a municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

Notes to the Financial Statements

2. New standards and interpretations (continued)

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2013.

The Municipality has adopted the standard for the first time in the 2014 financial statements.

IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the amendment is for years beginning on or after 1 April 2013.

The municipality could not implement IGRAP1 in the 2014 financial year due to challenges experienced on the extraction of information. In the 2015 financial year the new traffic fines management system has been implemented. The municipality adopted IGRAP 1 for the 2015 financial year. The standard was applied retrospectively.

3. Other property, plant and equipment - Game

	2016			restated 2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Game in nature reserve	1 963 395	-	1 963 395	2 221 559	-	2 221 559

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3. Other property, plant and equipment - Game (continued)

Methods and assumptions used in determining fair value

In the 2014 financial year the Municipality had incorrectly applied GRAP 12 and accounted for the game as inventory. However this game do not meet the definition of inventory as it is not held to be sold or used in the ordinary course of operations, nor is this the agricultural produce at the point of harvest. The activities undertaken are for recreational purposes, i.e. biological assets are on nature reserves,and are not agricultural activities for the purpose of GRAP 27. The auction price has been used in the determination of the market value.

4. Investment property

	2016			restated 2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	774 995 100	(20 255 312)	754 739 788	-	-	-

Reconciliation of investment property - 2016

	Opening balance	Additions	Depreciation	Total
Investment property	-	774 995 100	(20 255 312)	754 739 788

5. Property, plant and equipment

	2016			restated 2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 556 467 910	-	2 556 467 910	2 556 467 910	-	2 556 467 910
Buildings	1 251 750 437	(654 079 757)	597 670 680	1 239 615 486	(624 228 823)	615 386 663
Furniture and fixtures	8 369 861	(6 804 590)	1 565 271	10 184 925	(9 010 952)	1 173 973
Motor vehicles	92 227 541	(61 268 681)	30 958 860	95 918 095	(57 567 136)	38 350 959
Office equipment	20 402 224	(17 851 968)	2 550 256	28 551 473	(25 415 217)	3 136 256
Water mains	1 864 299 302	(936 160 680)	928 138 622	1 860 079 677	(895 674 259)	964 405 418
Other property, plant and equipment	33 537 838	(28 994 179)	4 543 659	46 125 040	(36 674 604)	9 450 436
Sewerage	1 743 115 670	(726 333 379)	1 016 782 291	1 635 227 896	(694 375 279)	940 852 617
Roads	3 046 019 549	(1 679 849 443)	1 366 170 106	3 013 500 165	(1 573 570 437)	1 439 929 728
Emergency equipment	587 067	(398 816)	188 251	624 281	(314 779)	309 502
Electricity	1 565 736 365	(710 995 842)	854 740 523	1 545 944 882	(672 428 364)	873 516 518
Leased Assets	13 178 327	(8 274 781)	4 903 546	10 138 912	(5 987 552)	4 151 360
Tip sites rehabilitation	6 630 358	(1 346 193)	5 284 165	6 630 358	(1 009 645)	5 620 713
Library books	2 365 511	(842 268)	1 523 243	2 365 511	(746 057)	1 619 454
Total	**12 204 687 960**	**(4 833 200 577)**	**7 371 487 383**	**12 051 374 611**	**(4 597 003 104)**	**7 454 371 507**

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Work in progress	Disposals	Adjustment to accumulated depreciation	Completed projects transferred from WIP	Depreciation	Total
Land	2 556 467 910	-	-	-	-	-	-	2 556 467 910
Buildings	615 386 663	-	(9 080 381)	-	-	21 215 333	(29 850 935)	597 670 680
Furniture and fixtures	1 173 973	794 922	-	(99 843)	-	-	(303 781)	1 565 271
Motor vehicles	38 350 959	6 013 615	-	(3 915 406)	-	-	(9 490 308)	30 958 860
Office equipment	3 136 256	765 951	-	(333 662)	-	-	(1 018 289)	2 550 256
Water mains	964 405 418	-	-	-	-	4 219 625	(40 486 421)	928 138 622
Other property, plant and equipment	9 450 436	288 277	-	(2 536 103)	-	-	(2 658 951)	4 543 659
Sewerage main and purification	940 852 617	-	107 887 774	-	-	-	(31 958 100)	1 016 782 291
Roads	1 439 929 728	-	-	-	-	32 519 384	(106 279 006)	1 366 170 106
Emergency equipment	309 502	-	-	(73 840)	-	-	(47 411)	188 251
Electricity mains	873 516 518	-	3 129 729	-	-	16 661 755	(38 567 479)	854 740 523
Leased Assets	4 151 360	3 039 415	-	-	1 303 318	-	(3 590 547)	4 903 546
Tip sites rehabilitation	5 620 713	-	-	-	-	-	(336 548)	5 284 165
Library books	1 619 454	-	-	-	-	-	(96 211)	1 523 243
	7 454 371 507	**10 902 180**	**101 937 122**	**(6 958 854)**	**1 303 318**	**74 616 097**	**(264 683 987)**	**7 371 487 383**

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Work in progress	Disposals	Adjustments	Depreciation	Total
Land	2 556 467 910	-	-	-	-	-	2 556 467 910
Buildings	620 392 285	10 420 424	13 652 238	-	-	(29 078 284)	615 386 663
Furniture and fittings	221 686	237 090	-	(2 321)	912 780	(195 262)	1 173 973
Motor vehicles	20 482 332	9 295 447	-	(171 298)	15 545 264	(6 800 786)	38 350 959
Office equipment	1 681 210	-	-	(14 286)	2 452 325	(982 993)	3 136 256
Water mains	999 466 930	4 963 533	442 918	-	-	(40 467 963)	964 405 418
Plant and equipment	10 163 452	1 006 345	-	(8 920)	1 535 801	(3 246 242)	9 450 436
Sewerage	818 863 247	55 339 305	98 326 400	-	-	(31 676 335)	940 852 617
Roads	1 425 886 587	97 964 214	21 289 985	-	-	(105 211 058)	1 439 929 728
Emergency equipment	80 176	-	-	(4 148)	268 260	(34 786)	309 502
Electricity mains	825 680 168	80 826 419	4 439 499	-	-	(37 429 568)	873 516 518
Leased assets	5 902 151	4 236 761	-	-	-	(5 987 552)	4 151 360
Tip sites rehabilitation	6 428 298	-	-	-	-	(807 585)	5 620 713
Library books	1 619 454	-	-	-	-	-	1 619 454
	7 293 335 886	**264 289 538**	**138 151 040**	**(200 973)**	**20 714 430**	**(261 918 414)**	**7 454 371 507**

Pledged as security

No PPE was pledged as security

6. Intangible assets

	2016			restated 2015		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	3 753 097	(1 676 156)	2 076 941	3 787 096	(1 721 189)	2 065 907

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6. Intangible assets (continued)

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	2 065 907	237 568	(33 999)	(192 535)	2 076 941

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	102 153	2 308 236	(344 482)	2 065 907

7. Heritage assets

	2016			restated 2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Sculptures	400 000	-	400 000	400 000	-	400 000

Reconciliation of heritage assets 2016

	Opening balance	Total
Sculptures	400 000	400 000

Reconciliation of heritage assets 2015

	Opening balance	Total
Sculptures	400 000	400 000

8. Other financial assets

Designated at fair value		
Listed Shares - Sanlam	2 627 229	2 887 516
Listed Shares - Old Mutual	1 564 415	1 574 587
Collateral Investments - Nedbank	145 771	136 671
Collateral Investments - First National Bank	41 015	38 535
ABSA Bank - MIG Call Deposits	529	(9)
ABSA Bank - DOE Call deposits	806	304 806
Long Term Deposits - New Republic Bank	3 953 698	3 953 698
	8 333 463	**8 895 804**
Non-current assets		
Listed Shares and Investments	8 145 342	8 415 801

Figures in Rand	2016	2015
Current assets		
Listed Shares and Investments	188 121	480 003

9. Inventories

Consumable stores	16 143 959	32 500 812
Purified water	428 065	428 065
Unsold property held for sale	17 572 500	-
Face value documents - at cost	-	13 416
Water works - purification stock	1 843 638	1 262 718
	35 988 162	**34 205 011**

10. Receivables from exchange transactions

Reversal of consumer deposits	(16 627 240)	(3 386 924)
Other payments	2 708 912	1 348 125
Other receivables	31 148 949	23 409 690
Insurance debtor	4 040 000	-
Councillors UIF for prior year	763 157	763 157
Funeral expenses - employees and councillors	75 450	75 450
	22 109 228	**22 209 498**

11. Receivables from non-exchange transactions

Traffic fines	4 125 596	3 050 757
Government grants and subsidies	1 923 228	6 033 473
Housing/erven loans	4 810 829	4 855 325
Damage Minisub NO021 Phola Zone 5	31 372	31 372
Recoverable projects	340 496	334 496
	11 231 521	**14 305 423**

TRAFFIC FINES
The Municipality adopted IGRAP1 in the 2015 financial year. The receivable was not adjusted for any possible discounts as it is not the Municipality's policy to provide for early settlement discounts to offenders that pay fines within the required timeframe. The AARTO system has not yet been implemented for the Mpumalanga province.

HOUSING/ERVEN LOANS
When Council sells land to the public, a 60 day period is given for applying for a bond and registration thereof. By failing to do so, the transaction is cancelled.

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance revenue from non-exchange transactions- 1 July 2015	3 050 757	7 370 413
Revenue raised - 2015 and 2016	18 479 550	13 183 050
Receipts	(4 451 055)	(2 292 986)
Impairment recognised	(11 854 757)	(15 209 720)
Write offs	(1 098 900)	-
Balance at at 30 June 2016 (After impairment)	**4 125 595**	**3 050 757**

Notes to the Financial Statements

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12. Consumer receivables

Gross balances		
Rates	293 028 121	232 067 761
Electricity	482 717 337	398 075 493
Water	726 845 167	582 419 661
Sewerage	261 500 219	206 593 996
Refuse	178 214 637	148 368 365
Other (specify)	173 992 395	142 621 638
	2 116 297 876	**1 710 146 914**
Less: Allowance for impairment		
Rates	(164 619 142)	(190 151 892)
Electricity	(219 543 418)	(273 833 136)
Water	(451 940 842)	(303 728 189)
Sewerage	(163 377 583)	(116 698 591)
Refuse	(107 189 901)	(96 663 620)
Other	(391 975 779)	(115 936 412)
	(1 498 646 665)	**(1 097 011 840)**
Net balance		
Rates	128 408 979	41 915 869
Electricity	263 173 919	124 242 357
Water	274 904 325	278 691 472
Sewerage	98 122 636	89 895 405
Refuse	71 024 736	51 704 745
Other	(217 983 384)	26 685 226
	617 651 211	**613 135 074**
Included in above is receivables from exchange transactions		
Electricity	263 173 919	124 242 357
Water	274 904 325	278 691 472
Sewerage	98 122 636	89 895 405
Refuse	71 024 736	51 704 745
	707 225 616	**544 533 979**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	128 408 979	41 915 869
Other	(217 983 384)	26 685 226
	(89 574 405)	**68 601 095**
Net balance	**617 651 211**	**613 135 074**
Rates		
Current (0 -30 days)	8 645 065	4 299 571
31 - 60 days	5 574 367	1 999 939
61 - 90 days	5 346 414	1 674 952
91 - 120 days	4 192 908	1 303 337
121 - 365 days	26 816 849	9 032 511
> 365 days	77 833 376	23 605 559
	128 408 979	**41 915 869**

Notes to the Financial Statements

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12. Consumer receivables (continued)

Electricity		
Current (0 -30 days)	21 353 667	17 132 602
31 - 60 days	9 075 834	5 793 316
61 - 90 days	6 643 227	3 640 623
91 - 120 days	6 499 935	2 881 730
121 - 365 days	46 254 911	20 924 617
> 365 days	173 346 345	73 869 469
	263 173 919	**124 242 357**
Water		
Current (0 -30 days)	5 119 160	17 476 321
31 - 60 days	9 603 386	10 286 866
61 - 90 days	7 772 700	8 129 180
91 - 120 days	8 813 518	8 361 944
121 - 365 days	55 540 334	54 984 607
> 365 days	188 055 227	179 452 554
	274 904 325	**278 691 472**
Sewerage		
Current (0 -30 days)	2 599 484	5 290 194
31 - 60 days	3 243 238	3 160 004
61 - 90 days	2 766 579	2 605 403
91 - 120 days	3 088 897	2 615 378
121 - 365 days	19 567 473	17 862 436
> 365 days	66 856 965	58 361 990
	98 122 636	**89 895 405**
Refuse		
Current (0 -30 days)	1 723 175	2 253 635
31 - 60 days	1 889 113	1 392 707
61 - 90 days	1 736 060	1 238 774
91 - 120 days	1 692 423	1 097 311
121 - 365 days	11 289 292	7 945 323
> 365 days	52 694 673	37 776 995
	71 024 736	**51 704 745**
Other (specify)		
Current (0 -30 days)	(15 219 232)	6 735 583
31 - 60 days	(9 142 193)	2 520 862
61 - 90 days	(2 546 926)	1 956 297
91 - 120 days	(4 400 406)	1 954 684
121 - 365 days	(50 206 038)	6 652 171
> 365 days	(136 468 589)	6 865 629
	(217 983 384)	**26 685 226**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 097 011 840)	(896 289 799)
Contributions to allowance	(468 255 273)	(200 722 041)
Debt impairment written off against allowance	66 620 448	-
	(1 498 646 665)	**(1 097 011 840)**

Figures in Rand	2016	2015

12. Consumer receivables (continued)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	27 381	24 476
Bank balances	-	14 732 024
Bank overdraft	(1 139 261)	-
	(1 111 880)	**14 756 500**
Current assets	27 381	14 756 500
Current liabilities	(1 139 261)	-
	(1 111 880)	**14 756 500**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA: Account Number 1360-000-091	5 502 616	14 147 460	41 333 743	(2 668 445)	8 777 901	(35 735 686)
ABSA BANK LTD - Licencing Account - 4080890928	1 455 545	5 558 892	1 139 346	1 453 911	5 558 892	1 164 229
ABSA - Nics - 4080890952	54 049	209 039	127 458	54 049	209 039	127 458
ABSA - Account Number 4080890910 - Traffic Fines	21 224	186 191	-	21 223	186 191	29 321
Total	**7 033 434**	**20 101 582**	**42 600 547**	**(1 139 262)**	**14 732 023**	**(34 414 678)**

14. Finance lease obligation

Minimum lease payments due		
- within one year	3 309 700	3 992 972
- in second to fifth year inclusive	2 003 011	2 191 840
	5 312 711	6 184 812
less: future finance charges	(345 220)	(416 254)
Present value of minimum lease payments	**4 967 491**	**5 768 558**
Present value of minimum lease payments due		
- within one year	3 081 592	3 648 068
- in second to fifth year inclusive	1 885 899	2 120 489
	4 967 491	**5 768 557**
Non-current liabilities	1 885 899	2 191 840
Current liabilities	3 081 592	3 992 972
	4 967 491	**6 184 812**

The Municipality enters into finance lease arrangements with the ABD Financial Services (Pty) Ltd. The Municipality leases it photo copier machines. The average lease term is 3 years and the average effective borrowing rate is 7% for all new leases entered into. (2015: 9%). Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Unspent conditional grants and receipts		
Municipal Revenue Enhancement Program	9 804	9 804
NDPG	3 158 967	-
Human Settlement Grant	18 248 145	53 630 112
	21 416 916	**53 639 916**

Municipal Revenue Enhancement Program - Improvement of collection rate

Expanded Public Works Program - To provide Expanded Public Works Programme (EPWP) funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised

MIG -To provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities

Department of Energy - Funds used to implement electricity savings projects in municipal infrastructure

Human settlement Grant - The creation of sustainable and integrated human settlements that enable an improved quality of household life and access to basic services

See Note 22 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised.

16. Loans and receivables

At amortised cost		
ABSA	2 807 298	3 751 600
Development Bank of South Africa	75 423 877	76 744 994
INCA	22 583 987	22 635 696
Nedbank	37 204 028	38 104 501
	138 019 190	**141 236 791**
Total other financial liabilities	**138 019 190**	**141 236 791**
Non-current liabilities		
At amortised cost	108 925 906	124 108 839
Current liabilities		
At amortised cost	29 093 284	17 127 952

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17. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Change in provision for landfill provision	Utilised during the year	Provision for the year	Total
Provision for rehabilitation of landfill sites	8 003 781	789 974	-	-	8 793 755
Provision for post-retirement benefit:Medical care contribution	197 019 000	-	26 129 000	-	223 148 000
Provision for staff leave	33 341 813	-	-	13 468 530	46 810 343
	238 364 594	**789 974**	**26 129 000**	**13 468 530**	**278 752 098**

Reconciliation of provisions - 2015

	Opening Balance	Change in provision for landfill provision	Utilised during the year	Provision during the year	Total
Provision for rehabilitation of landfill sites	14 329 830	(6 326 049)	-	-	8 003 781
Provision for post-retirement benefit: Medical care contribution	185 827 000	-	11 192 000	-	197 019 000
Provision for staff leave	31 248 737	-	-	2 093 076	33 341 813
	231 405 567	**(6 326 049)**	**11 192 000**	**2 093 076**	**238 364 594**

	2016	2015
Non-current liabilities	231 941 755	205 022 781
Current liabilities	46 810 343	33 341 813
	278 752 098	**238 364 594**

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17. Provisions (continued)

Provision for rehabilitation of landfill sites relates to the legal obligation to restore and rehabilitate the Kriel, Leeuwpoort and Phola landfill sites used for waste disposal. The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.

Risk describes variability of outcome. A risk adjustment may increase the amount at which a liability is measured. Caution is needed in making judgements under conditions of uncertainty, so that revenue or assets are not overstated and expenses or liabilities are not understated. However, uncertainty does not justify the creation of excessive provisions or a deliberate overstatement of liabilities. For example, if the projected costs of a particularly adverse outcome are estimated on a prudent basis, that outcome is not then deliberately treated as more probable than is realistically the case. Care is needed to avoid duplicating adjustments for risk and uncertainty with consequent overstatement of a provision.

It was found that the municipality did not have sufficient funds for the provision. Management then chose to use the government bond yield rate as indicated in the Yield Rate sheet. The adjustment made to the discounting rate was made due to various risks pertaining to the specific landfill site which influences the cash flows and therefore the discounting rate.

Risks that was taken into account and the estimated effect on the discounting rate :

1. The landfill site is fenced off.
2. There are no weight bridge and no records are kept of vehicles entering the site.
3. There is no control over waste types entering the site. This may lead that possible dangerous and hazarders material be dumped in the site that may lead to possible fines.
4. During our inspection of the site, no traces of medical waste were found.
5. The subject property is surrounded by farms.

Quantification of the risk factors:

1. The landfill site was fenced off.	- 0.1%
2. No records kept.	+ 0.35%
3. Waste types.	+ 0.50%
4. No medical waste.	- 0.45%
5. Surrounded by farms.	+ 0.25%

Actuarial method and assumptions

The valuation of the defined benefit obligation is performed at year end by an independent expert.

Objectives

Funding is the making of advance provision to meet the cost of accruing benefit promises. The funding objectives implicit in GRAP25/IAS 19 are to maintain a provision of 100% of the accrued service liability. The maintenance of such a provision gives employees a measure of security in respect of accrued benefit rights and also helps ensure that the employer does not maintain excessive resources within the provision made.

Method

The method of funding prescribed by GRAP 25 is called the "Projected Unit Method". Under this method the accrued service liabilities are determined by projecting all future payments which will be made by the employer in respect of benefits accrued up to valuation date. Asumptions are made in respect of, inter-alia, medical scheme contribution increases, withdrawals, deaths and ill-health, early and normal retirements. These payment are discounted at the valuation rate of discount to determine the present value of the liabilities at the valuation date.

The assumptions used in the calculations as discussed above are set out below.

Pace of funding

It is important to note that the assumptions do not affect the actual cost of the benefit paid, only the pace at which those costs are provided for in the accounts of the Emalahleni Local Municipality.

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17. Provisions (continued)

An exercise of this nature should be completed every 2 to 3 years in order to monitor progress and ensure the strategy adopted is still appropriate.

Death-in-service Benefits

On death-in-service the surviving spouse and dependants are also entitled to the subsidy of 60% of their medical aid contributions. The liability incurred for death is also valued using the projected unit credit method.

Key Assumptions

	2016	2015
Health care cost inflation	7.83%	7.30%
Discount rate	9.26%	8.75%
Real discount rate	1.33%	1.35%
Spouse age difference	4 years	4 years
Continuation at retirement	100%	100%
Retirement age	65 years	65 years
Mortality of in-service members	SA 85-90 (light) Ultimate	SA 85-90 (light) Ultimate
Pensioners mortality tables	PA (90) - 2 Ultimate	PA (90) - 2 Ultimate

The discount rate reflects the time value of money. The discount rate together with the assumed rate of medical scheme contribution inflation has the largest effect on the values of the benefit calculated. The assumed annual rate of discount used to calculate the present value of the liability was 9.26% per annum. This is consistent with yields on long term government bonds with the longest duration R209 as at 13 July 2016.

The employer's liabilities can be summarized as follows:

1. Accrued liability

Current valuation as at 30 June 2016	Early and normal Retirement R'000	Death Benefit R'000	Total Accrued Liability R'000
Active members	125 919 000	31 239	157 158
Continuation members	65 990	0	65 990
Total	**191 909**	**31 239**	**223 148**

2. Future Service Cost

This represents the annual cost that needs to be funded in order to accrue for the additional liability that will be incurred as a result of people's service over the next year.

1 year cost	01/07/2015 - 30/06/2016 R'000	01/07/2016 - 30/06/2017 R'000
Active members	20 184	21 294
Cost as a % of the Salary of the members on a medical scheme	9.2%	7.10%

3. Interest Cost

The expected interest cost accruing in the year following the valuation date is calculated as:

Accrued Liability	01/07/2015 - 30/06/2016 R'000	01/07/2016 - 30/06/2017 R'000
Eligible Active Members	17 239	20 663

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18. Payables from exchange transactions

Trade payables	1 563 043 310	1 329 983 183
Payments received in advanced	53 800 662	59 937 656
Other creditors	323 023 849	235 070 619
Retentions	24 351 904	18 091 326
BHP Billiton:Water Leak C/CE	67 072	67 072
Deposits: Other	1 219 222	1 888 500
	1 965 506 019	**1 645 038 356**

19. Consumer deposits

Water and electricity	116 492 112	113 903 546

No interest is paid on deposits

20. Revenue

Service charges	1 281 025 711	1 175 493 936
Rental of facilities and equipment	12 794 154	11 078 942
Licences and permits	2 536 819	2 504 424
Fees earned	31 847 071	24 664 350
Commissions received	3 236 457	2 650 272
Revaluations	-	1 779 575
Other income	76 132 827	4 914 164
Interest earned - outstanding receivables	95 959 725	80 638 601
Dividends received	119 088	-
Property rates	371 266 005	335 273 598
Government grants and subsidies	402 308 755	340 487 512
Public contributions and donations	31 394 817	48 399 334
Fines	20 336 889	14 327 007
	2 328 958 318	**2 042 211 715**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1 281 025 711	1 175 493 936
Rental of facilities and equipment	12 794 154	11 078 942
Licences and permits	2 536 819	2 504 424
Fees earned	31 847 071	24 664 350
Commissions received	3 236 457	2 650 272
Royalties received	-	1 779 575
Other income	76 132 827	4 914 164
Interest earned - outstanding receivables	95 959 725	80 638 601
Dividends received	119 088	-
	1 503 651 852	**1 303 724 264**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	371 266 005	335 273 598
Transfer revenue		
Government grants & subsidies	402 308 755	340 487 512
Public contributions and donations	31 394 817	48 399 334
Fines	20 336 889	14 327 007
	825 306 466	**738 487 451**

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21. Property rates

Rates received

Property rates	371 266 005	335 273 598

eMalahleni, Ga-Nala and Thubelihle

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1st July 2014. The basic rate is 0.012707c in Rand, whilst a rebate of R635.28 p.a (based on the first R50 000 of the valuation roll) is granted to all owners with a "Residential 1,2,3" - zoned property where a house has been erected. Furthermore, an exemption is granted to all pensioners and physical and mentally disabled, who qualifies according to the Property Rates Policy, currently receiving an amount in Pension/ Allowance of up to R150 000 p.a.

Ogies/Phola, Farms & Wilge Township
Rates are the same as for eMalahleni

Kendal Forest
Rate is 0.012707c / Rand values only.

Rural Areas
Rate for Rural Areas is 0.012707c / Rand on land values only.

Valuations

Residential	31 498 616 650	30 262 476 300
Commercial	7 113 029 200	6 954 812 100
State	1 012 312 800	1 066 262 800
Municipal	2 342 618 400	2 078 838 900
Other (Agriculture , Mining , etc)	9 463 723 800	7 978 900 860
	51 430 300 850	**48 341 290 960**

22. Service charges

Other service charges	6 033 892	4 433 332
Sale of electricity	748 840 093	697 974 214
Sale of water	319 803 190	286 498 097
Sewerage and sanitation charges	123 472 919	113 746 058
Refuse removal	82 875 617	72 842 235
	1 281 025 711	**1 175 493 936**

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23. Government grants and subsidies

Equitable share	229 575 000	190 858 789
MIG Grant	115 796 000	111 477 000
National Treasury (Fin. Man. Grant)	1 675 000	1 600 000
Grant - E P W P	1 378 000	3 540 000
Grant - DOE	16 661 755	6 033 473
Grant - Department of Local Government & Housing	-	67 939
Grant - MSIG	-	934 000
Grant - Capital Neigbourhood development grant	1 841 033	-
Grant - Human Settlement	35 381 967	25 976 311
	402 308 755	**340 487 512**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 240 (2015: R 178), which is funded from the grant.

Electricity Demand Site Management Grant

Balance unspent at beginning of year	-	4 043
Conditions met - transferred to revenue	-	(4 043)
	-	-

Conditions still to be met - remain liabilities (see note 15).

This grant was used to manage the electricity consumption to decrease the electricity demand on the national electricity network.

Extended Public Works Programme Incentive

Current-year receipts	1 378 000	3 540 000
Conditions met - transferred to revenue	(1 378 000)	(3 540 000)
	-	-

This grant was used to improve service delivery in municipalities as part of the upgrading of informal and formal settlements. Included in the roads, sewerage, water and fencing votes

MIG Grant

Current-year receipts	115 796 000	111 477 000
Conditions met - transferred to revenue	(115 796 000)	(111 477 000)
	-	-

This grant was used to construct roads, sewerage and water infrastructure, as part of the upgrading of informal and formal settlement areas.

FMG Grant

Current-year receipts	1 675 000	1 600 000
Conditions met - transferred to revenue	(1 675 000)	(1 600 000)
	-	-

This grant was used to fund expenditure to enhance National Treasury Budget Reform program.

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23. Government grants and subsidies (continued)

DOE Grant

Balance unspent at beginning of period	(6 033 473)	11 555 382
Current-year receipts	20 772 000	-
Conditions met - transferred to revenue	(16 661 755)	(6 033 473)
Amount paid to DOE	-	(11 555 382)
Amount still to be paid (Shown as debtor)	**1 923 228**	**6 033 473**

This grant was used to install services to new settlements.

Human settement grant

Balance unspent at beginning of year	53 630 112	42 050 000
Current-year receipts	-	40 000 000
Conditions met - transferred to revenue	(35 381 967)	(28 419 888)
Conditions still to be met	**18 248 145**	**53 630 112**

This grant used to supply water to rural areas, as well as sewer services to informal settlements.

MSIG Grant

Current-year receipts	-	934 000
Conditions met - transferred to revenue	-	(934 000)
	-	-

This grant was used to improve service delivery in municipalities as part of the upgrading of informal and formal settlements Included in the roads, sewerage, water and fencing votes.

Neighbourhood Development Partnership Grant

Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	(1 841 033)	-
Conditons still to be met	**3 158 967**	**-**

This grant was used to improve service delivery in municipalities as part of the upgrading of informal and formal settlements. Included in the roads, sewerage, water and fencing votes

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

24. Public contributions and donations

Anglo American	1 445 664	5 861 114
Nkangala District Municipality	23 932 900	42 340 044
Department of Environmental Affairs	4 100 000	-
Exxaro	1 886 253	-
Baatile Modiga	-	47 942
Rand Water	-	57 717
Standard Bank	30 000	92 517
	31 394 817	**48 399 334**

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25. Other income

Fees earned	31 847 071	24 664 350
Commissions received	3 236 457	2 650 272
Revaluations	-	1 779 575
Other income	76 132 827	4 914 164
	111 216 355	**34 008 361**

26. General expenses

Advertising	561 998	780 261
Assessment rates & municipal charges	2 379 913	4 003 114
Auditors remuneration	6 175 820	5 542 072
Bank charges	7 542 699	7 395 112
Cleaning	3 339	16 998
Commission paid	5 843 710	4 996 603
Computer expenses	1 908	182 933
Consulting and professional fees	4 479 499	26 247 427
Debt collection	516 010	914 447
Catering	522 803	975 769
Town Planning	4 759 403	971 206
Insurance	7 293 176	7 039 892
Conferences and seminars	-	162 382
Rentals	1 542 739	2 750 309
Promotions and sponsorships	25 004	101 061
Skills development levies	4 951 477	4 120 281
Motor vehicle expenses	3 441 958	4 150 996
Fuel and oil	10 294 362	7 551 027
Postage and courier	2 126 038	2 539 631
Printing and stationery	3 254 566	3 710 785
Protective clothing	2 354 941	2 767 623
Project maintenance costs	1 126 818	(1 622 878)
Software licenses	1 782 864	1 581 658
Subscriptions and membership fees	5 468 548	5 225 260
Telephone and fax	5 673 774	5 429 520
Transport and freight	20 540 788	12 098 029
Training	1 868 265	1 199 761
Travel - local	1 709 500	2 377 181
Refuse	29 444	38 447
Electricity	1 527 236	2 744 291
Water	50 988	10 633 270
Monitoring - cut off	439 240	1 035 319
Meter Readings	4 922 911	4 093 688
Other expenses	9 401 675	7 001 656
Departmental charges	4 685 745	2 044 558
Material and provisions	19 624 040	18 252 786
Management: landfill sites	5 289 326	3 881 992
Workmens compensation	5 615 822	2 234 144
Stipends	3 400 050	3 471 164
Impairment of traffic fines	12 953 657	15 209 721
Data cleansing project	2 850 000	-
	177 032 054	**183 849 496**

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27. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	189 490	178 224
Equipment		
• Contractual amounts	1 353 249	2 572 085
	1 542 739	**2 750 309**
Impairment on property, plant and equipment	6 943 288	26 722 275
Loss on biological assets and agricultural produce	(461)	(2 566 700)
Depreciation on property, plant and equipment	265 141 550	219 093 014
Depreciation on investment property	20 255 312	-
Employee costs	652 397 090	516 456 924

28. Employee related costs

Basic	390 537 720	319 509 867
Bonus	29 013 251	20 900 327
Medical aid - company contributions	69 589 527	49 798 829
UIF	2 482 173	2 496 614
Leave pay provision charge	17 352 564	7 251 870
Others short term benefits	5 184 100	207 522
Post-employment benefits - Pension - Defined contribution plan	69 295 972	55 192 893
Overtime payments	44 944 929	37 125 267
Housing benefits and allowances	3 220 375	3 024 513
Contributions - Group insurance	986 836	863 189
	632 607 447	**496 370 891**

Remuneration of municipal manager

Annual Remuneration	1 241 182	315 084
Car and telephone allowance	784 860	117 384
Contributions to UIF, Medical and Pension Funds	1 785	-
	2 027 827	**432 468**

Remuneration of chief finance officer

Annual Remuneration	432 850	694 411
Car Allowance	297 296	428 928
Contributions to UIF, Medical and Pension Funds	16 218	118 553
	746 364	**1 241 892**

Remuneration of executive directors

Annual Remuneration	3 493 429	3 138 044
Car Allowance	2 379 408	2 207 692
Contributions to UIF, Medical and Pension Funds	1 273 806	1 096 955
	7 146 643	**6 442 691**

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29. Remuneration of councillors

Executive Major	691 434	745 621
Mayoral Committee Members	3 645 773	1 746 847
Speaker	553 147	604 860
Councillors Allowances	12 768 716	15 204 445
Councillors' pension and medical aid contributions	2 130 573	1 784 260
	19 789 643	**20 086 033**

30. Debt impairment

Bad debts	463 569 919	200 959 188

Debt impairment methodology:
Past history has been analysed to group the categories of debtors. After performing an assessment on the collectability of debtors, this may have resulted in the adjustment of the debtors category. Outstanding debt is divided into 3 categories when calculating the impairment. The categories are as follows:
Category A : No provision is made for Government and current accounts.
Category B : 50% provision is made for irregular payer.
Category C: 100% provision is made for municipal accounts, indigent and non-payers.

31. Investment revenue

Dividend revenue		
Listed shares - Local	119 088	-
Interest revenue		
Interest charged on arrear accounts and external investments	95 959 725	80 638 601
	96 078 813	**80 638 601**

32. Depreciation and amortisation

Property, plant and equipment	265 141 550	219 093 014
Investment property	20 255 312	-
	285 396 862	**219 093 014**

33. Impairment of assets

Impairments		
Property, plant and equipment	6 943 288	26 722 275
The review of the condition of the water treatment plant led to the recognition of the impairment loss.		

34. Proceeds on sale of assets

Proceeds from sale of assets	461	2 566 700

35. Finance costs

Eskom account	72 036 905	90 423 066
Long term liabilities	8 239 712	16 726 003
Finance lease	(31 054)	755 387
Fair value adjustments:Game	258 164	-
Landfill sites	789 973	719 007
	81 293 700	**108 623 463**

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Figures in Rand	2016	2015
36. Auditors' remuneration		
Fees	6 175 820	5 542 072
37. Rental of facilities and equipment		
Premises		
Premises	4 896 462	4 115 847
Theatre hire	77 731	35 802
Venue hire	717 615	224 248
Rental of farm portion	1 518 006	1 438 346
Rental of furniture	318	676
	7 210 132	**5 814 919**
Garages and parking		
Rental of hangars	203 712	184 943
Facilities and equipment		
Rental of facilities	128 887	118 032
Rental of equipment	5 251 423	4 961 048
	5 380 310	**5 079 080**
	12 794 154	**11 078 942**
38. Contracted services		
Security Services	15 380 723	67 301 918
Professional Services	52 468 924	34 729 912
Other Contractors	9 094 229	1 350 435
	76 943 876	**103 382 265**
39. Grants and subsidies paid		
Other subsidies		
Grants and subsidies paid to the indigent	15 438 121	22 395 827
Grants allocated to other beneficiaries	-	22 251
Extended public works program	-	164 866
	15 438 121	**22 582 944**
40. Bulk purchases		
Electricity	822 698 637	734 829 025
Water	53 074 302	54 816 307
	875 772 939	**789 645 332**

Notes to the Financial Statements

Figures in Rand	2016	2015

40. Bulk purchases (continued)

Percentage of electricity distribution losses	41.90%	37.24%
Percentage of water distribution losses	46.17%	56.11%

Electricity Sales

Total purchases
2016 R 1 014 660 703
2015 R 954 450 296

Total Sales
2016 R 554 504 897
2015 R 636 755 829

Units unaccounted for
2015 377904874
2016 399945399

Losses in Rand Value :
2015 R 262 692 581.60
2016 R 235 154 563.36

Water Sales

Total purchases
2016 R 41 415 815
2015 R 47 659 718

Total Sales
2016 R 25 405 255
2015 R 20 916 361

Units unaccounted for
2015 26743357
2016 16010560

Losses in Rand Value :
2015 R 139 600 324
2016 R 83 575 120.59

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Figures in Rand	2016	2015
41. Cash generated from operations		
Deficit	(392 759 201)	(226 750 699)
Adjustments for:		
Depreciation and amortisation	285 396 862	219 093 014
(Loss) gain on sale of assets and liabilities	(461)	353 334
Impairment deficit	6 943 288	26 722 275
Provision for bad debts	463 546 080	200 959 188
Movements in provisions	40 368 064	41 074 660
Other non-cash items	(48 384 172)	(29 529 697)
Adjustment to debtors	(5 499 089)	-
Fees: Province monies refundable	1 737 487	-
Finance leases	-	(387 516)
Other non-cash items	-	295 460
Changes in working capital:		
Inventories	(1 783 151)	(14 909 017)
Receivables from exchange transactions	100 270	40 951 790
Other receivables from non-exchange transactions	3 073 902	(4 898 805)
Consumer debtors	(468 086 056)	(365 382 278)
Payables from exchange transactions	320 467 661	270 544 067
Unspent conditional grants and receipts	(32 223 000)	(1 491 616)
Consumer deposits	2 588 566	11 871 941
	175 487 050	**168 516 101**

42. Commitments

Capital commitments

Already contracted for but not provided for		
• Property, plant and equipment	152 405 329	215 285 783

Operational commitments

The Municipality has entered into agreements with service providers for the provision of various service providers. At reporting date the Municipality has outstanding operational commitments	32 000 172	21 441 954

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43. Contingencies

Heading

Legal claims against Municipality
Forthwith is a list of possible liability claims where the outcome was unknown at 30 June 2016:

1. Afriforum NPC	R 98 553
2. Chris Vrey and Ejanette Vrey	R 160 958
3. Coetzee L.C	R 1 050 000
4. Dark Fibre Africa Pty Ltd	R 218 256
5. Debbie Sutherland	R 920 000
6. Guilliame Dirk Van Niekerk	R 200 000
7. Ntswaki Annah Zondo	R 500 000
8. Isaac Victor Mokoena	R 16 800
9. Izingwenya 210 Investments 00 Khuphukani Business Enterprise	R 6 356 295
10. Leko Engineering	R 534 780
11. Mabusa Mahlangu	R 500 000
12. Mahlalerwa Construction Cc	R 4 105 300
13. Mark Paul Kleynhans	R 9 600 000
14. Martha Mthombeni (Born Klaas - 1st Plaintiff) Mxolisi Klaas	R 30 000
15. Masibuyisane Services (Pty) Ltd	R 878 900
16. Merc Carriers CC	R 496 827
17. Nelisa Sannah Sgudla Obo Sbusiso Zwelizibanzi Nkosi	R 2 500 000
18. Nomgqibelo Annah Ntuli	R 850 000
19. Opthalmicare CC	R 1 743 148
20. Oscar De Sa Pinto	R 9 735
21. Precious Thandiwe Makwakwa Obo Nthabiseng Pascaline Matsebe	R 2 500 000
22. Relay Setting Pty Ltd	R 6 007 481
23. Rescue Rod	R 8 944 039
24. Sasol Gas	R 3 334 111
25. Senzi Martha Motsepe	R 702 000
26. Soundprops	R 9 222 070
27. South African Local AuthoritiesPension Fund	R 41 797
28. Tiva Clement	R 40 208
29. Uwane Davies Mananyetjo (1st Plaintiff) Kganyane Georgina Manayetjo (2nd Plaintiff)	R 147 685
30. Weccm Jn Business Enterprise Cc	R 136 800
31. Witbank Abbatoir	R135 707
Total value of claims to be recognised as a contingent liability	**R 61 981 450**

Cause of action

1. This related to a claim for a reimbursement incurred by the Plaintiff during the course of the management of the affairs of the Defendant.
2. Claim for damages as a result of the plaintiff colliding with another vehicle which made an emergency stop due to a pot hole.
3. Claim for damages as a result of failure by the municipality to construct and maintain roads, provide and display speed limit signs on all roads manage and operate all roads in a manner commensurate with their design and take appropriate steps to remove alternatively limit danger if a road is an urban design and /or barrier kerb is used. Plaintiff collided with another vehicle and as a result had to have her right arm amputated.
4. Claim for damages as a result of the Plaintiff's cables being damaged due to the alleged negligence of the Defendant's employees.
5. Claim for damages as a result of plaintiff being injured when the vehicle she was travelling in hit a pothole
6. Claim for damages in respect of infringement of rights to liberty, freedom, integrity, dignity and privacy by way of unlawful arrest ans detention.
7. Claim for damages as a result of acts of defamation
8. Claim for damages incurred as a result of the Plaintiff's vehicle hitting a pothole.
9. Claim for outstanding payment for security services rendered to the municipality for the duration from 01 December 2012 to date of termination of contract. Claim for loss of profit the service provider would have earned for the remainder of the contract

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43. (continued)

period. Claim for breach of contract by reducing the number of guards to be deployed on various sites
10. Claim for additional work done on a project for the upgrading of ward 6 regional park in kwa-guqa extension 7
11. Claim for special damages and contumelia.
12. Non payment of payment certificates
13. Claim for damages as a result of the Plaintiff driving into a pothole and losing control of his vehicle
14. Claim for financial loss incurred when the Red Ants demolished property.
15. Claim for payment in respect of services rendered
16. Claim for damages as a result of the Plaintiff's vehicle being driven into an unmarked and un-lit trench on a road allegedly within the jurisdiction of the Municipality
17. Claim for damages as a result of a minor child playing at or near a substation wherein the minor child came into contact with high-voltage electricity and sustained severe electrical shock resulting in severe facial and bodily burns.
18. Claim for damages as a result of the Plaintiff being injured when she fell into an uncovered drain
19. A claim for damages caused to the Plaintiffs aeroplane due to the failure of the Municipality to maintain the aerodrome
20. The plaintiff claims for a refund paid by himself in respect of arrear rates and taxes when he purchased property via an auction. The sale was subsequently cancelled by the high court.
21. Claim for damages as a result of a minor child playing at or near a substation wherein the minor child came into contact with high-voltage electricity and sustained severe electrical shock resulting in severe facial and bodily burns.
22. Claim for outstanding payment as a results of goods supplied and delivered.
23. Claim for damages incurred as a result of riots that erupted in phola, ogies whereby the plaintiff's motor vehicle was set alight. The plaintiff's claim is based on contractual law or alternatively on delictual law.
24. Claim for damages as a result of Municipal Employees when they were laying a water pipe.
25. Claim for loss of support.
26. Claim for payment for the amount of R 9 222 069.56 for electricity consumption wrongly debitted to the Plaintiff as a result of a Faulty electricity meter in respect of certain ervens owned by the Plaintiff and / or its predecessor.
27. Claim for outstanding payment and interest in terms of the pension fund act
28. Claim for damages incurred as a result of the Plaintiff driving over an unmarked island
29. Claim for damages incurred allegedly to the Plaintiff's property as a result of the alleged unlawful demolition of Plaintiff's property.
30. Wrongful removal by the municipality of the plaintiff's plant and materials
31. Claim for damages due to water interruptions at the plaintiff's place of business

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44. Related parties

Henceforth are key management of the municipality. Due to their capacity as councillors and directors of the Municipality, any transactions carried out between the Municipality and these individuals will be disclosed as a related party transaction.

Executive Mayor - L. Ntshalintshali	No transactions occurred between the Municipality and the Executive Mayor during the 2016 financial year
Speaker - A.D. Mkhwanazi	No transactions occurred between the Municipality and the Speaker during the 2016 financial year
Chief Whip - S. Matshipa	No transactions occurred between the Municipality and the Chief Whip during the 2016 financial year
Accounting Officer - T. Jansen Van Vuuren	No transactions occurred between the Municipality and the Accounting Officer during the 2016 financial year
Chief Financial Officer - J. Hlatswayo	No transactions occurred between the Municipality and the C.F.O. during the 2016 financial year
Directors	No transactions occurred between the Municipality and the Directors during the 2016 financial year
Councillors	No transactions occurred between the Municipality and the Councillors during the 2016 financial year

There were no related party transactions identified during the course of the 2016 financial year.

45. Prior period adjustment

During the financial year ended 30 June 2016 the Municipality discovered that the following fundamental errors occurred in the financial year ended 30 June 2015 and the pre 2015 financial year. This resulted in the restatment of the individual account balances and class of transactions. The opening balance on the Accumulated surplus account as at 1 July 2015 has been restated.

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45. Prior period adjustment (continued)

Opening accumulated surplus as previously reported - 1 July 2014		**(821 915 384)**
Repairs and maintenance recognised in the incorrect period - adjustment to creditors control account	-	66 425
Repairs and maintenance recognised in the incorrect period - adjustment to VAT control account	-	(8 157)
VAT incorrectly captured in expenses		25 029
Contracted services captured in the incorrect period - adjustment to creditors account	-	2 368 617
Contracted services captured in the incorrect period - adjustment to VAT account	-	(290 884)
Correction of depreciation on landfill sites	-	(898 656)
Correction of interest on landfill sites	-	(6 181 128)
PPE adjustments to the 2013/14 year - Office Equipment	-	(2 694 934)
PPE adjustments to the 2013/14 year - Furniture and Fittings	-	(893 677)
PPE adjustments to the 2013/14 year - Emergency Equipment	-	(66 612)
PPE adjustments to the 2013/14 year - Motor Vehicles	-	(2 297 731)
PPE adjustments to the 2013/14 year - Plant and Equipment	-	(2 061 390)
Adjustment to Land	-	(778 983 500)
Depreciation for 2014 year	-	1 713 342
Infrstructure adjustments	-	(5 415 082 678)
Adjustment of infrastructure assets	-	(204 551 473)
Adjustment of infrastructure assets	-	1 135 546 373
Reversal of unidentified stands	-	4 172 854
Adjustment to accumulated depreciation	-	171 827
Adjustment to emergency equipment	-	137 912
Restated opening accumulated surplus as at 1 July 2014	-	**(6 091 723 825)**
Deficit as previously reported - 2015	-	178 366 524
Adjust for : Depreciation on landfill sites	-	336 548
Interest on landfill sites	-	719 007
Reversal of incorrect interest on landfill sites	-	(27 789 584)
Reversal of assets recognised as inventory items	-	(2 827 190)
Depreciation for 2015 year	-	1 220 894
Reversal of accumulated depreciation for 2015	-	(11 724 154)
Depreciation to update adjustments in the fixed asset register	-	88 448 652
Restated opening accumulated surplus as at 1 July 2015	-	**(5 864 973 128)**

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46. Reclassification and adjustments to comparative figures

Certain comparative figures have been reclassified.

A reclassification was done on some of the 2015 closing balances within the annual financial statements. This reclassification resulted in the variances between the comparative figures in the 2015 annual financial statement and the 2014 annual financial statement.

The effects of the reclassifications and adjustments are as follows:

Statement of financial position

Trade and other receivables from exchange transactions: In the restated 2015 balances the following accounts were previously mapped to payables from exchange transactions and have now been realocated to Receivables from exchange transactions:

Debtors - Reversal of consumer deposits	(R 3 386 924)
Salaries Suspense Control Company 1	R 89 363
RTMC	R 6 355 989
Unknown Deposits: Sundry Expenditure	R 25 079
Consumer Accounts - Refund Control	R 213 865
Consumer Accounts - R/D Cheques+ACB-RE	R 58 176
Maintenance Railway Lines	R 3 439 551
Total	**R 6 795 100**

Property and plant equipment: A take on of assets were performed for the infrastructure assets. This resulted in differences being identified between the physical verification and the assets reflected on the asset register. Furthermore a physical verification was performed for all moveable assets. All adjustments identified for both moveable and immoveable assets were passed as prior year adjustments.

Intangible assets: The balance of R 2 065 907 was included under property plant and equipment in the prior year.

Payables from exchange transactions: In the restated 2015 balances the following accounts were previously mapped to payables from exchange transactions and have now been realocated to Receivables from exchange transactions:

Debtors - Reversal of consumer deposits	(R 3 386 924)
Salaries Suspense Control Company 1	R 89 363
RTMC	R 6 355 989
Unknown Deposits: Sundry Expenditure	R 25 079
Consumer Accounts - Refund Control	R 213 865
Consumer Accounts - R/D Cheques+ACB-RE	R 58 176
Maintenance Railway Lines	R 3 439 551
Total	**R 6 795 100**

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46. Reclassification and adjustments to comparative figures (continued)

Furthermore a journal entry of R 66 425.10 and R 2 368 616.76 was passed in the prior year for repairs and maintenance and contracted services respectively, bringing the total adjusted amount to **R 12 617 094**

Consumer deposits: A journal was passed to reverse the provision for consumer deposits intially recognised for deposits not yet paid.

VAT payable: Journals were passed totalling R 274 011.39 to the VAT control account.

Provisions: The landfill sites useful life was reassessed by independent valuers. This resulted in an adjustment to depreciation, interest and provision for rehabilitation of the sites. Journals were passed to adjust the provision for landfill sites. Total value of adjustments passed were R 34 115 633.

Statement of financial performance

Employee related cost: This difference of R 2 496 614 was U.I.F which had been allocated to general expenses in the 2015 financial year.

Depreciation: This difference of R 185,818 has been included under fines in the current year.

Finance cost: This net difference of R 27 070 577 arose from the adjustment to interest on landfill sites.

Repairs and maintenance: This difference of R 254 482 arose as a result of the reallocation of the following expenses items to general expenses:
1000/00/1/10/6500 - Website hosting R 12 488
1000/00/1/10/6601 - Workshop expenses R 241 994

General expenses: In the restated 2015 balances the following vote numbers were reallocated:

1000/00/1/05/6000 U.I.F R 2 496 613.91 - this amount was mapped to the general expense account in the 2015 financial year. in the restated 2015 balances this amount was reallocated to employee related cost.

1000/00/1/05/2403 Inventory Items: Tools Furn and Equipment - In the previous there were minor assets that were recognised as inventory items. However a journal of R 2 827 190 was passed to reallocate these amounts to the moveable assets.

The following accounts were reallocated from the repairs and maintenance account to the general expenses:-
1000/00/1/10/6500 Website Hosting R 12 488
1000/00/1/10/6601 Workshop Expenses R 241 994.26

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47. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years
Borrowings	2 424 440	4 848 880	21 819 963	-
Finance lease liabilities	256 800	513 600	2 311 200	1 885 899
Trade and other payables	1 965 506 018	-	-	-
Other consumer deposits	116 492 112	-	-	-

At 30 June 2015	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years
Borrowings	1 427 329	2 854 659	12 845 964	14 121 841
Finance lease liabilities	332 747	665 495	2 994 730	2 191 840
Trade and other payables	1 645 038 356	-	-	-
Other consumer deposits	113 903 545	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and consumer debtors. The municipality only deposits cash with major banks and limits exposure to any one counter-party.

Consumer debtors comprise a widespread community base. The Municipality manages its credit risk through payment of deposits and disconnection in the case of non-payment.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
ABSA Bank Limited	(1 118 251)	14 750 129
Trade and other receivables	656 387 679	638 731 495

These balances represent the maximum exposure to credit risk.

48. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had an accumulated deficits of R 6 270 896 689 and that the municipality's total assets exceeds its total liabilities by R 6 270 896 689.

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48. Going concern (continued)

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

49. Unauthorised expenditure

Unauthorised expenditure - June 2015	232 751 483	232 751 483
Unauthorised expenditure - June 2016 - Cash items	60 868 589	-
Non-cash items	755 213 275	-
Unspent grants not cash backed	14 437 531	-
	1 063 270 878	**232 751 483**

50. Fruitless and wasteful expenditure

Opening balance - restated	143 017 289	47 595 060
Fruitless and wasteful expenditure - June	-	95 422 229
Eskom interest	72 036 905	-
SARS interest and penalties	1 766 288	-
Land Schemes Management Act	316 306	-
Penalties on late payments of loan	36 900	-
	217 173 688	**143 017 289**

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51. Irregular expenditure

Opening balance	66 871 330	-
Expenditure incurred in the current year	36 011 792	66 871 330
	102 883 122	**66 871 330**

52. Additional disclosure in terms of Municipal Finance Management Act

SECTION 125(1)(B) - Contributions to SALGA

Current year subscription / fee	3 597 202	5 044 114
Amount paid - current year	(3 597 202)	(5 044 114)
	-	-

SECTION 125(1)(C) - Audit fees

Current year fee	7 805 353	3 944 997
Amount paid - current year	(7 805 353)	(5 542 072)
	-	**(1 597 075)**

Figures in Rand	2016	2015

52. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year subscription / fee	90 100 984	194 221 995
Amount paid - current year	(90 100 984)	(178 036 829)
	-	**16 185 166**

Pension and Medical Aid Deductions

Current year subscription / fee	71 163 178	93 799 722
Amount paid - current year	(71 163 178)	(85 983 078)
	-	**7 816 644**

VAT

VAT receivable	290 986 778	25 054 241
VAT payable	(319 805 475)	(12 401 849)
	(28 818 697)	**12 652 392**

The Municipality pays VAT over to the SARS using the cash basis. However the annual financial statements are prepared using the accrual basis of accounting. Hence the difference between the net VAT due to the Municipality as reflected on the VAT 201 returns and the net VAT payable disclosed on the financial statements.
All VAT returns have been submitted by the due date throughout the year.

Councillors consumer accounts

The following Councillors had accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor LM Nhlapho	3 663	-	3 663
Councillor T. Mashigo	3 340	3 593	6 933
Councillor J. Djiana	2 392	7 178	9 570
Councillor V. Phakana	1 967	360	2 327
Councillor C. Maraba	3 349	6 597	9 946
Councillor H.J. Scheffer	4 360	-	4 360
Councillor L.M. Nkosi	579	-	579
Councillor M.B. Phahlane	2 469	17 966	20 435
Councillor M.S. Mdluli	167	-	167
Councillor S.L. Mokoena	2 007	-	2 007
	24 293	**35 694**	**59 987**

Arrangement to settle the outstanding balances has been made with the above mentioned councillors.

Notes to the Financial Statements

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the Municipality and awaiting condonment by Council. Set out below is a monthly breakdown of deviations from normal procurement process.

Month	R
September 2015	108 520
October 2015	911 536
November 2015	225 529
December 2015	124 516
January 2016	165 747
February 2016	245 031
April 2016	682 943
May 2016	1 563 394
June 2016	481 801
	4 509 017

53. Budget differences

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations and changes within the approved budget parameters and additional resources required during the year. Refer to Statement of comparison of budget and actual amounts for explanation of material variances.